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Note A: For FY 2007, Attachment HE-9 was for the Manual Leave Liability Calculation Guidelines. For FY 2008, the Manual Leave Liability Calculation Guidelines are provided on DOA's website but it was not assigned an attachment number since it does not require an attachment submission.

Office of the Comptroller's Directive No. 2-08

Financial Statement Template Preparation for Higher Education Institutions

Introduction

Subject	This Directive addresses higher education institutions' (HEIs) responsibilities for submitting the financial statement template and other financial information to the Department of Accounts (DOA).
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Purpose	This Directive provides guidance to higher education institutions for submitting the following items to DOA to assist in the preparation of the Commonwealth's Comprehensive Annual Financial Report (CAFR).
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- Financial statement template based on generally accepted accounting principles (GAAP) as prescribed by the Governmental Accounting Standards Board (GASB)
 - Other required financial information
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SAS 112	Statement on Auditing Standards No. 112, <i>Communicating Internal Control Related Matters Identified in an Audit</i> (SAS 112) states that the identification by the auditors of a material misstatement is an indicator of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. This includes misstatements involving estimation and judgments. This also includes restatements of previously issued financial statements to reflect a correction of a material misstatement. This applies to whether the auditors or the HEI discovers the restatement. (Note: This does not apply to a change in accounting principle to comply with a new accounting principle or a voluntary change from one GAAP to another.) Institutions and foundations must ensure controls are in place to avoid material misstatements and/or misclassifications in the financial statement template.
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Introduction, Continued

Institution compliance

Institutions are required pursuant to *Code of Virginia, §2.2-803* and *§2.2-813*, as amended, to submit a financial statement template and / or other financial information for the following reasons.

- The financial information required by this Directive is necessary for DOA to prepare the CAFR.
- The bond rating agencies use the CAFR to determine Virginia's bond rating. Maintaining an unqualified opinion on the CAFR is critical to Virginia retaining its AAA bond rating.
- The bond rating agencies require that parts of the CAFR be included in bond offering statements.

Applicability

This Directive applies to the Virginia College Building Authority (VCBA), Roanoke Higher Education Authority (RHEA), Innovative Technology Authority, Institute for Advanced Learning and Research, Southwest Virginia Higher Education Center, Southern Virginia Higher Education Center, New College Institute, and all State-supported higher education institutions (HEIs).

Policy

For year-end closing and financial statement template preparation, all higher education institutions must comply with the following guidelines. These are described in detail on the following pages.

- Preparation of Attachments
- Preparation of Financial Statement Template Work Papers
- Preparation of Financial Statement Template
- Reconciliation to Individually Published Financial Statements
- NACUBO and GASB Guidance
- Preparation of Fluctuation Analyses
- Supplemental Information

Continued on next page

Introduction, Continued

Failure to comply

The *Code of Virginia, §2.2-5004 A3*, identifies “substantial compliance with all financial reporting standards approved by the State Comptroller” as an integral part of the financial and administrative management standards. **DOA will evaluate both the timeliness and accuracy of submissions to DOA to help determine whether the higher education institutions have complied with this management standard.** Failure to comply with this Directive could result in the following:

- The institution may not meet financial and administrative management standards; and
- The Comptroller may disclose such failure in the *Quarterly Report on Statewide Financial Management and Compliance*.

Effective date

This is effective for fiscal years ended June 30, 2008, and thereafter.

This Directive rescinds and replaces Office of the Comptroller’s Directive No. 2-07, “*Financial Statement Template Preparation for Higher Education Institutions*.”

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Introduction, Continued

Questions

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Directive availability

This Directive is available at www.doa.virginia.gov. Higher education institutions' fiscal officers are notified via e-mails. The Commonwealth Accounting and Reporting System (CARS) users are notified via the CARS Broadcast Screen.

Additional information

If DOA determines additional information is needed from the institution not included in this Directive, DOA will contact the institution as needed.

Preparation of Attachments

Listing of attachments

The column below titled “Complete for HEI or Foundation(s)” documents the financial information that must be reported on the attachments. In this section, the acronyms are defined as follows:

- **HEI:** Higher education institution including any blended component units of the HEI.
- **Foundation(s):** For purposes of this directive, this includes any foundation/entity that is a discrete component unit of the HEI as required by GASBS No. 39.

<i>Attachment Number</i>	<i>Complete for HEI or Foundation(s)</i>	<i>Attachment or Tab Name</i>	<i>Due Date</i>
HE-1 (new)	HEI	FY 2007 - Off-Balance Sheet Financial Obligations	July 17
HE-2 (formerly HE-1)	HEI	Contact Survey	July 17
HE-3 (formerly HE-2)	HEI/ Foundation	Beginning Net Asset Reconciliation	July 31
HE-4 (formerly HE-3)	HEI	On-Behalf Payments	August 14
HE-5 (formerly HE-4)	HEI	Optional Retirement Plans	August 14
HE-6 (formerly HE-5)	HEI	<u>GASBS No. 14</u> Checklist Modified to Reflect <u>GASBS No. 39</u>	August 14
HE-7 (formerly HE-6)	HEI	Federal Schedules	August 28
HE-8 (formerly HE-7)	HEI	Appropriation Available and Appropriation Revenue	September 4
HE-9 (formerly HE-8)	HEI	Treasury’s Reimbursement Programs	September 8
Informational (formerly HE-9)	N/A	Manual Leave Liability Calculation Guidelines	N/A

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Preparation of Attachments, Continued

Listing of attachments, *continued*

<i>Attachment Number</i>	<i>Complete for HEI or Foundation(s)</i>	<i>Attachment or Tab Name</i>	<i>Due Date</i>
HE-10	HEI/ Foundation	Financial Statement Template (Tabs within this attachment are listed below.)	Various*
	HEI/ Foundation	FST	
	Foundation	Combining FST	
	HEI/ Foundation	Elimination Entries to FST	
	HEI	HEI Flux (new)	
	Foundation	Foundation Flux (new)	
	HEI/ Foundation	Checklist	
	HEI	TAB 1A, GASBS 3	
	HEI	TAB 1B, GASBS 31	
	HEI	TAB 2, Receivables	
	HEI	TAB 3, Capital Assets	
	HEI	TAB 5, LT Liabilities	
	HEI	TAB 6, Commitments	
	HEI	TAB 7, Miscellaneous	
	HEI	TAB 8, Short-term Debt	
	HEI	TAB 9, Inv in Cap Assets	
	Foundation	TAB F1, Cash, Cash Eqv & Inv	
	Foundation	TAB F2, SNAP & LGIP	
	Foundation	TAB F3, Receivables	
	Foundation	TAB F4, Capital Assets	
	Foundation	TAB F5, LT Liabilities	
	Foundation	TAB F5.1, LT Liabilities	
	Foundation	TAB F6, Commitments	
	Foundation	TAB F7, Miscellaneous	
	HEI/ Foundation	TAB F8, Intrafund	

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Preparation of Attachments, Continued

Listing of attachments, *continued*

<i>Attachment Number</i>	<i>Complete for HEI or Foundation(s)</i>	<i>Attachment Name or Tab Name</i>	<i>Due Date</i>
HE-10	Foundation	TAB F9, Short-term Debt	Various*
	Foundation	TAB F10, Inv in Cap Assets	
	HEI	HEI-Assets (new)	
	HEI	HEI-Liabilities (new)	
	HEI	HEI-Net Assets (new)	
	HEI	HEI-Rev, Exp, and Chgs (new)	
	Foundation	Foundations-Assets (new)	
	Foundation	Foundations-Liabilities (new)	
	Foundation	Foundations-Net Assets (new)	
	Foundation	Foundations-Rev, Exp, and Chgs (new)	
	HEI/ Foundation	Certification	
HE-11 (formerly HE-12)	HEI/ Foundation	Adjustments	Various*
HE-12 (formerly HE-10A)	HEI	Schedule of Cash, Cash Equivalents, and Investments at June 30	Various*
HE-13	HEI	Report of Financial Condition	Various*
HE-14 (new)	HEI	FY 2008 - Off-Balance Sheet Financial Obligations	January 22, 2009

Note: There is no TAB 4 in the Attachment HE-10. Attachments HE-1, FY 2007 – Off-Balance Sheet Financial Obligations, and HE-14, FY 2008 – Off-Balance Sheet Financial Obligations, are new. Attachment HE-14 will be available on DOA’s website at a later date. The Attachment HE-10 has two new tabs to document explanations for the fluctuation analysis and eight new tabs which were in the prior year’s Attachment HE-11, Reconciliation.

Note*: The due dates for the Attachments HE-10, HE-11, HE-12, and HE-13 are staggered. The due dates were determined based on the number of foundations reported by the HEI on the prior year’s submission. See the **Staggered due dates** section that follows for the due dates.

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Preparation of Attachments, Continued

Staggered due dates

The staggered due dates are as follows:

Attachments HE-10 & HE-11	Attachment HE-12	Attachment HE-13	# of foundations	HEI acronyms
September 25	September 30	October 9	0 - 1	GMU, IALR, ITA, JMU, NCI, RU, RHEA, SVHEC, SWVHEC
September 29	October 2	October 13	2 - 4	CNU, LU, UMW, NSU, ODU, VMI, VPI&SU, VSU
October 1	October 6	October 15	5 or more	CWM, UVA, VCU, VCCS

Attachment changes from the prior year

Refer to the instructions for each attachment for a summary of the changes to the attachment from the prior year. In addition, a listing of changes and items of interest was e-mailed to fiscal officers and is posted on DOA's website at www.doa.virginia.gov. Click on the "Financial Statement Directives" link.

Informational

There are numerous comments within the Excel spreadsheets that provide clarification regarding information that should be provided. Many cells have validation features to ensure information is entered correctly. If information is not entered correctly, an error message will display. Some of the validation functions are as follows: only yellow highlighted cells allow for data entry, only enter whole dollar amounts, amounts on the financial statement template (FST), Combining FST, or Elimination Entries to FST must agree to the applicable footnote tabs. Check figures are in red and provide total amounts and variance amounts that should help determine why an "ERROR" message appears in a cell.

Submission information

Except as noted on specific attachments, DOA **requires** the institution to e-mail the attachments, and / or supplemental information to DOA's e-mail address at: finrept-HE@doa.virginia.gov and copy APA at APAFinRept@apa.virginia.gov. DOA will e-mail a confirmation of receipt for each electronic submission. Institutions should follow-up with DOA if the institution does not receive a confirmation. **Institutions should not submit paper copies of e-mailed attachments.** DOA will also notify institutions if submissions do not meet the specified standards. If a submission is deemed unacceptable and rejected by DOA, the institution will be provided a short window of opportunity to resubmit the information in a manner that adequately addresses the deficiencies noted by DOA.

Preparation of Financial Statement Template Work Papers

Introduction

Each institution must prepare work papers, including any year-end adjusting entries, that clearly support the preparation of the financial statement template, combining financial statement template, elimination entries to FST, footnote/informational tabs, and the reconciliation of the individually published financial statements to the financial statement template.

Guidelines for financial statement work papers

- Reconcile work papers to the internal accounting system.
 - Provide an adequate audit trail so the work papers may be tested to ensure the accuracy of the amounts presented.
 - Have work papers ready for review by the APA as soon as possible after year-end close, but not later than the submission of the associated statements, schedules and attachments.
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Suggested work papers

The following is a list of suggested work papers but is not all-inclusive:

- Trial balances of funds maintained on the institution's accounting system;
 - Trial balances of other funds of the institution that are not maintained on CARS;
 - Schedules to combine the two sets of trial balances above;
 - An itemized listing of capital assets as of year-end which reconciles to the institution's internal accounting system; and,
 - A detailed reconciliation of institution debt balances to Department of Treasury audit confirmation schedules.
-

Preparation of Financial Statement Template

FST columns

This section provides information for recording amounts for the HEI on Attachment HE-10, Financial Statement Template. As noted previously, **HEI** is defined in this section as the higher education institution including any blended component units of the HEI.

The Financial Statement Template (FST) tab has the following columns:

- **HEI Total Year-End June 30, 2008:** This should be balances/activity of the HEI and any blended component units. Any significant intrafund balance/activity amounts between the HEI and its blended component units must be excluded from this column.
- **Foundation(s) Year-End Totals:** This column is linked to the Combining FST tab which must be completed for all discrete foundation(s).
- **Elimination Entries:** This column is linked to the Elimination Entries to FST tab. This is for eliminating significant intrafund balance/activity amounts between the HEI and discrete foundation(s).
- **Combined Total:** This column has the amounts that will be reported in the CAFR with some exceptions. DOA will make certain adjustments to these amounts; therefore, amounts in this column do not always equal the amounts that are reported in the CAFR.
- **HEI Total Prior Year:** Significant variances between prior year and current year totals must be explained.
- **Foundation(s) Total Prior Year:** Significant variances between prior year and current year totals must be explained.

Applicable GASB statements

GASBS No. 35 amended GASBS No. 34, *Basic Financial Statements – and Management’s Discussion and Analysis – for State and Local Governments*, to include public colleges and universities. **GASBS No. 34 is used in this document to refer to GASBS No. 34 and GASBS No. 35.**

All other applicable Generally Accepted Accounting Principles (GAAP) must be followed.

Note: A Generally Accepted Accounting Principles (GAAP) Master List is available on DOA’s website at www.doa.virginia.gov. Click on the “Financial Statement Directives” link. This list is for informational purposes only and is neither authoritative nor all-inclusive.

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Preparation of Financial Statement Template, Continued

Funds to be reported

All funds must be presented in the financial statement template, regardless of whether the funds are recorded on CARS. This includes all trust, local, and endowment funds.

Instructions for completing financial statement template

Detailed instructions for completing the financial statement template are found in the **Instructions for Attachment HE-10**.

Also, see **Additional Guidelines for Preparation of the Financial Statement Template** section.

Reconciliation to Individually Published Financial Statements

Requirement

The prior year Attachment HE-11, Reconciliation, required higher education institutions (HEIs) to reconcile the HEI's individually published financial statements submitted pursuant to Attachment HE-13, Report of Financial Condition, to the Attachment HE-10, Financial Statement Template. The prior year Attachment HE-11, Reconciliation, has been incorporated into the Attachment HE-10, Financial Statement Template.

NACUBO and GASB Guidance

NACUBO guidance

Position papers and other guidance issued by NACUBO represent level 5 GAAP. This guidance should be followed by all higher education institutions in the absence of any guidance from the Financial Accounting Standards Board (FASB), the Governmental Accounting Standards Board (GASB), or the American Institute of Certified Public Accountants (AICPA).

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NACUBO and GASB Guidance, Continued

Current imple- mentation

The following Governmental Accounting Standards Board (GASB) statements are effective for the Commonwealth for fiscal year 2008:

GASBS No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* (OPEBs),

GASBS No. 48, *Sales and Pledges of Receivables and Future Revenues and Intra-Entity Transfers of Assets and Future Revenue*, and

GASBS No. 50, *Pension Disclosures*.

GASBS No. 28 reporting

DOA will provide asset, liability, income, and expense amounts for each institution's share of securities lending transactions, **if any**, held in the **General Account of the Commonwealth**. This information and guidance on where these amounts should be recorded on the financial statement template will be provided in a separate document.

Future imple- mentations

GASBS No. 49, *Accounting and Financial Reporting for Pollution Remediation Obligations*, is effective for the Commonwealth beginning in fiscal year 2009.

GASBS No. 51, *Accounting and Financial Reporting for Intangible Assets*, is effective for fiscal year 2010.

GASBS No. 52, *Land and Other Real Estate Held as Investments by Endowments*, is effective for fiscal year 2009.

Note: The Commonwealth's policy is **no early implementation** of any GASB Statement. If an institution early implements any GASB Statement in its individually published financial statements, the Attachment HE-10, Financial Statement Template, submission must exclude the effects of any early implementations.

Preparation of Fluctuation Analyses

Due date	All institutions must provide a fluctuation analyses for the financial statement template and submit electronically to the APA and DOA along with the Attachment HE-10 submission.
Requirements	DOA has included a fluctuation analyses format on the financial statement template file. For the prior year amounts to appear, the HEI must first select the institution's acronym. Prior year financial statement template amounts for the HEI and the foundation(s) will appear in the applicable columns and the #N/As will disappear. There are also columns to show dollar and percentage variances.
Changes from the prior year – scopes	<p>The Attachment HE-10, Financial Statement Template, has been revised to indicate what variances must be explained. Previously there were “Notes” columns that have been replaced with “Is an explanation required?” columns. A “yes” will appear in this new column if one of the following scopes are met.</p> <ul style="list-style-type: none">• Increases or decreases greater than 10% and \$2,220,000 or• Increases or decreases greater than \$7,400,000.
Changes from the prior year – new tabs	<p>The following new tabs have been added and can be used to document the explanations for the variances. The new tabs are:</p> <ul style="list-style-type: none">• HEI Flux• Foundation Flux
Review of fluctuation analyses	Each institution's fiscal officer should review fluctuation analyses, and any significant fluctuations should be explained.
Additional explanations	DOA may request explanations for other variances that are not explained.

Supplemental Information

Covered institutions

Covered institutions (institution #s: 204, 207, 208, 209, 229, 246, 268, and 948) must provide the following by institution # to DOA by **July 31, 2008** for fiscal year-end June 30, 2008*:

- Total expenditures for fiscal year to date for all funds and personal service cost expenditures in object code 11xx. (Previously reported on the CARS 1439 Option A2 report, Agency YTD Expenditure Funding Analysis, as of fiscal year end)
- Net Revenue by fund for fiscal year to date recorded in revenue source codes 09071, Recovery of Statewide Indirect Cost Grant/Contract Administration and 09073, Recovery of Higher Education Institution Indirect Cost Grant/Contract Administration. (Previously reported on the CARS 1673, Net Revenue Fund Report as of fiscal year end)
- Listing of expenditures, where the payment has been made to other state agencies / institutions. Include in the listing the fiscal month the expenditure was recorded, your institution's number, the transaction amount, fund / fund detail, program / subprogram, revenue source code, object code, and agency / institution name that the payment was made to.

Note *: Contact Penny Williams at (804) 225-3804 or Penny.Williams@doa.virginia.gov or Bobby Eddleton at (804) 225-2257 or Bobby.Eddleton@doa.virginia.gov if you have any questions regarding this supplemental information.

All institutions

Provide the information listed below to DOA by **July 31, 2008** if the institution received any of the following that offset the cost of goods and services purchased by the institution during fiscal year 2008: 1) purchase discounts, 2) rebates or allowances, 3) recoveries or indemnities on losses, 4) insurance refunds or rebates, or 5) adjustments of overpayments or erroneous charges*.

- Description
- Fund-fund detail
- Revenue source code or expense program
- Amount

Note *: Contact Penny Williams at (804) 225-3804 or Penny.Williams@doa.virginia.gov or Bobby Eddleton at (804) 225-2257 or Bobby.Eddleton@doa.virginia.gov if you have any questions regarding this supplemental information.

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Supplemental Information, Continued

The College of William and Mary (CWM)

The following is due to DOA by **October 1, 2008**: Supporting schedules for the Statement of Net Assets and Statement of Activities that includes amounts for CWM, Virginia Institute of Marine Science, Richard Bland College, blended component units (if any), and elimination entries of significant intrafund balance/activity amounts.

Department of Treasury/ Virginia College Building Authority (VCBA)

Provide the following information by **August 1, 2008**:

- FY 2008 cash basis reimbursements to higher education institutions for the following programs: VCBA 21st Century, VCBA Equipment Trust Fund, General Obligation Bonds (9b), and Virginia Public Building Authority. DOA will provide the format in a separate communication.

Provide the following information by **September 4, 2008**:

- Payables to higher education institutions as of year-end for the following programs: VCBA 21st Century, VCBA Equipment Trust Fund, General Obligation Bonds (9b), and Virginia Public Building Authority. DOA will provide the format in a separate communication.

Provide the following information by **September 25, 2008**:

- VCBA Financial Statements (fund statements reconciled to government-wide financial statements),
 - Debt service requirements for FY 2008 (including pooled bond issuances by institution for FY 2008), and
 - Other information required to properly report VCBA and other Treasury activity in the CAFR. DOA will provide in a separate communication.
-

Virginia Commonwealth University (VCU)

For CAFR reporting purposes, the VCU Health System Authority is treated as a blended component unit when completing attachments. Significant intrafund balance/activity amounts among VCU and the VCU Health System Authority must be excluded from amounts reported on the financial statement template.

Virginia Community College System

The following is due to DOA by **October 1, 2008**: Supporting schedules for the Statement of Net Assets, Statement of Activities, and elimination entries of significant intrafund balance/activity amounts.

Continued on next page

Supplemental Information, Continued

All institutions– internal control statement

The following is due to DOA along with the Attachment HE-13, Report of Financial Condition: Letter of Transmittal, including a general statement regarding the institution's internal control to ensure compliance with the *Commonwealth Accounting Policies and Procedures (CAPP) Manual* Topic 10305, Internal Control. Before completing the internal control statement, the agency is required to read CAPP manual Topic 10305, Internal Control, **and the institution head or designee must sign the statement. This information must be submitted on the institution's letterhead either by fax OR mail OR e-mail the pdf file to DOA and provide a copy to APA.**

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Note: The due date for this submission is staggered as follows:

Due date for Internal Control Statement	# of foundations	HEI acronyms
October 9	0 - 1	GMU, IALR, ITA, JMU, NCI, RU, RHEA, SVHEC, SWVHEC
October 13	2 - 4	CNU, LU, UMW, NSU, ODU, VMI, VPI&SU, VSU
October 15	5 or more	CWM, UVA, VCU, VCCS

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Supplemental Information, Continued

All institutions- other requirements

DOA will provide in separate communications any additional institution or foundation information needed and the required date it must be submitted to DOA. The institution will be responsible for submitting the information to DOA by the specified date.

Additional Guidelines for Preparation of the Financial Statement Template

GASBS No. 34 Reporting Requirements

CAFR Reporting

All HEIs must complete the following for **FY 2008**:

- Statement of Net Assets and Statement of Activities (Attachment HE-10, Financial Statement Template), and
 - Notes to the Financial Statements (Obtained from Attachment HE-10 and other attachments).
-

Infrastructure

In addition, this statement requires the Commonwealth and HEIs to report infrastructure assets.

The State Comptroller elected and the Auditor of Public Accounts approved the **historical approach** to report infrastructure assets pursuant to the authority granted them in §2.2-813 of the *Code of Virginia* (1950), as amended.

The HEIs **must** use the **historical approach** to report infrastructure assets.

Determination of Materiality

Changes from prior year

In the past, institutions had to calculate materiality for the HEI and the foundations to determine what variances on the financial statement template had to be explained. For FY 2008, DOA is providing the scopes for identifying what variances must be explained. **This section is provided for informational purposes.** Note: Institutions should still calculate scopes in order to determine what significant intrafund balances/activity between the HEI and the foundations and/or among their foundations must be eliminated.

How to determine materiality-informational

Institutions may use the following guidelines for calculating materiality or may use their professional judgment and use a different methodology.

- 1) Determine materiality for the institution based on activity reported on the institution's financial statement template using the **HEI Total Year-End June 30, 2008** column.
- 2) Select the larger of total assets or total revenue as reported on the institution's current year financial statement template as the **base amount** for determining materiality. Using columns A and B, find the row that contains the **base amount**. **The corresponding amount in column C is the materiality scope.**
- 3) Determine materiality for the foundation(s) total based on activity reported on the institution's financial statement template using the **Foundation(s) Year-End Totals** column. Perform step 2.

Example: An institution has total assets of \$180,000,000 and total revenues of \$70,000,000. The base amount would be total assets of \$180,000,000. The materiality scope would be \$365,000.

A	B	C
0	50,000	1,000
50,001	100,000	3,000
100,001	500,000	4,000
500,001	1,000,000	13,000
1,000,001	5,000,000	18,000
5,000,001	10,000,000	50,000
10,000,001	50,000,000	80,000
50,000,001	100,000,000	240,000
100,000,001	300,000,000	365,000
300,000,001	1,000,000,000	725,000
1,000,000,001	3,000,000,000	1,775,000
3,000,000,001	10,000,000,000	4,175,000

Cash Held with the Treasurer of Virginia

Cash to be included

Report GLA 101 cash for all funds **except** the General Fund (fund 0100) on the Cash held with the Treasurer of VA line or Restricted Cash Held with the Treasurer of VA financial statement template line items. General Fund GLA 101 cash that will be reappropriated* should be reported as either Appropriation Available-Capital Projects or Appropriation Available-Other depending on the program. See the Instructions to Attachment HE-8, Appropriation Available and Appropriation Revenue, for additional guidance. Also, see the Instructions to Attachment HE-10 (TAB 1A, GASBS 3). Specifically, see the instruction for Cash held with the Treasurer of Virginia.

Note *: All amounts reappropriated must be supported by Department of Planning and Budget authorizations.

Restricted Cash/Cash Equivalent/Investment Amounts

FST guidelines

The Statement of Net Assets on the Financial Statement Template (FST) is in liquidity order rather than in a classified format. The following amounts should be reported on the restricted cash/cash equivalent/investment FST line items:

- Nonexpendable/permanently restricted amounts
 - Unspent bond/note proceeds related to capital/construction projects
 - Unspent proceeds related to energy performance contracts
 - Judgment should be used to determine if any other restricted amounts should be reported on these FST line items. For example, per the Comprehensive Implementation Guide – Guides Issued through June 30, 2007 question 7.22.3, if temporarily restricted assets are short-lived, they could be reported on the cash/cash equivalent/investment FST line items.
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Inventory

Items included in inventory

Include materials and supplies in the inventory line item on the financial statement template. Disclose any liens from pledging or assigning inventory in the Part 1 Inventory section of Attachment HE-10 (TAB 7, Miscellaneous).

Continued on next page

Inventory, Continued

Items not included in inventory

Do not include consigned inventory and donated food in inventory. Donated food must still be counted for federal reporting purposes, even though it is not reported on the financial statement template.

Method to use for reporting inventory

Use the **consumption method** when reporting inventory. This reporting method stipulates that inventory items to be used in operations must be reported as financial resources (assets) when acquired, and expenses must be recognized when the items are used. Many institutions may be currently recording inventory items as expenses when purchased (the purchase method); therefore, this accounting methodology requires an adjusting journal entry to record an asset and to reduce expenses for the unused inventory as follows:

Debit: Inventory	XXX	
Credit: Expenses		XXX

Equipment

Internal use computer software costs

Include any capitalized costs for internal use computer software in the Equipment line item. See CAPP Manual Topic 30305, “Software Purchased or Developed for Internal Use” for additional information. Any inquiries may be addressed to the following:

Bobby Eddleton, Assistant Director of Financial Reporting
Phone: (804) 225-2257
E-mail: Bobby.Eddleton@doa.virginia.gov

Andrew Short, Senior Accounting/Financial Analyst
Phone: (804) 225-2002
E-mail: Andrew.Short@doa.virginia.gov

Accounts Payable

What should be included?

The line item “accounts payable” has the following categories: Accounts payable, retainage payable, wages/salaries payable, and other. A description must be provided for amounts reported on the Accounts Payable – Other line item.

Net Assets - Endowment

Classifying endowments

Contributions to permanent **and** term endowments should be reported as separate line items on the financial statement template. The line items are “Contributions to Permanent Endowments” and “Contributions to Term Endowments.”

The net assets of permanent and term endowments **are** distinguished on the financial statement template in the Statement of Net Assets section as follows:

Permanent Endowment – Permanent endowment funds are funds with respect to which donors or other outside agencies have stipulated that the principal be maintained in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to principal. Therefore, the principal portions should be reported as restricted net assets – nonexpendable and the investment income should be reported as restricted net assets – expendable. The unrealized appreciation may be nonexpendable or expendable depending on the donor’s specifications and applicable state law.

Term Endowment – Similar to permanent endowment funds except that, upon passage of a stated period of time or the happening of a particular event, all or a part of the principal may be expended. Therefore, only a temporary restriction on net assets exists and term endowment funds should be reported as restricted net assets – expendable.

Quasi-Endowment – Quasi-endowment funds are funds which the governing board of an institution, rather than a donor or outside agency, has determined are to be retained and invested. Since these funds are internally designated rather than externally restricted, the governing board has the right to decide at any time to expend the principal. Therefore, quasi-endowment funds may be either restricted or unrestricted. Quasi-endowments created with restricted resources must be reported as expendable restricted net assets. Those created with unrestricted resources must be reported with unrestricted net assets, but could be described in a note to the financial statements indicating that they have been designated for long-term investment.

Miscellaneous

Depreciation

Depreciation expense and the related accumulated depreciation of property, plant and equipment, including infrastructure, **must** be reported in accordance with GASBS No. 34.

Expenses and revenues

For CAFR reporting, total expenses for the higher education institution are reported. The financial statement template has one line item to report **Operating and Nonoperating Expenses**.

The program revenue line items on the financial statement template include three **total program revenue** line items as follows: **Charges for Services, Operating Grants and Contributions**, and **Capital Grants and Contributions**. See [Appendix 1, Revenue Classifications](#), for additional information regarding certain revenue line items.

Gain/loss on sale/disposal/impairment of capital assets

For CAFR reporting, the loss on the sale/disposal/impairment of capital assets* should be reported with expenses. There is a line item after operating and nonoperating expenses on the financial statement template to record this amount. Also, there is a line item under the general revenues section to report the gain on the sale/disposal/impairment of capital assets*.

*Exception to the above reporting: If any gain/loss on the sale/disposal/impairment of capital assets qualifies as a special or extraordinary item, then the amounts must be reported on those line items.

Scholarships discounts and allowances

NACUBO published Advisory Report 2000-05, *Accounting and Reporting Scholarship Discounts and Allowances to Tuition and Other Fee Revenues by Public Institutions of Higher Education*. The “alternative method” described in this report represents preferred industry practice for all public schools, colleges, and universities in the absence of any guidance from the Financial Accounting Standards Board, the Governmental Accounting Standards Board, or the American Institute of Certified Public Accountants.

The GASBS No. 35 Implementation Guide developed by NACUBO and PricewaterhouseCoopers LLP, questions 79 through 87, also addresses specific scholarship issues.

Continued on next page

Miscellaneous, Continued

Summer school sessions that cross fiscal years

The GASBS No. 35 Implementation Guide developed by NACUBO and PricewaterhouseCoopers LLP, question 39, states that revenues and expenses for a summer session should be allocated between the two fiscal years. Appropriate amounts should be recognized in the accounting period in which they are earned or incurred and become measurable.

Unrealized gains and losses

Unrealized gains and losses should be reported as revenue in accordance with paragraph 13 of GASBS No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*.

Contract and grant revenues and indirect cost recoveries

A contract or grant considered to be an exchange transaction will generally be for program activities and should be treated as operating revenue. Grants that represent nonexchange transactions are treated as nonoperating revenues. (See the GASBS No. 35 Implementation Guide developed by NACUBO and PricewaterhouseCoopers LLP, question 38.)

Indirect cost recoveries associated with exchange transactions should be recorded as operating revenues and indirect cost recoveries associated with nonexchange transactions should be recorded as nonoperating revenues. (See the GASBS No. 35 Implementation Guide developed by NACUBO and PricewaterhouseCoopers LLP, question 41.)

Bonds payable

The bonds payable amount reported on the financial statement template must be reconciled to the Department of Treasury schedules plus any institutional debt (i.e., debt not issued through Treasury). **If the amounts do not agree to Treasury's balances plus institutional debt, a reconciliation must be provided by the institution and submitted with Attachment HE-10.**

Continued on next page

Miscellaneous, Continued

Lag pay	Record any applicable lag pay accruals in the financial statement template. At a minimum, this will require recording of the July 1 (June 10-24 pay period) and a portion of the July 16 (June 25-30 pay period) payrolls.
Extraordinary items	This represents transactions/events that are both unusual in nature and infrequent in occurrence. A description must be provided for these items.
Special items	This represents significant transactions/events that are within the control of management and are unusual in nature or infrequent in occurrence. A description must be provided for these items.
Elimination entries	<p>Line items are provided on the financial statement template to record significant intrafund balance/activity amounts between the HEI and the foundation(s) and/or among the foundations*. The use of these line items is optional. If these line items are used, the amounts reported on these line items must be eliminated and the ending balances should be zero in the Combined Total column on the financial statement template. See the section titled: Combining Financial Statement Template Preparation for Foundation(s) and instructions for Attachment HE-10 for additional guidance.</p> <p>Note*: Elimination of significant intrafund balance/activity amounts between the HEI and the foundations must be recorded on the Elimination Entries to FST tab. Elimination of significant intrafund balance/activity amounts among the foundations must be recorded on the Combining FST tab.</p>

Combining Financial Statement Template Preparation for Foundation(s)

Introduction

Background

GASBS No. 39 resulted in approximately seventy foundations being reported in the FY 2007 CAFR. This section provides guidance for converting a foundation's financial statements into the Combining Financial Statement Template tab (Combining FST) included in the Attachment HE-10, Financial Statement Template. These foundations must also be included in the HEI's individually published financial statements. This guidance **does not** address reporting issues for converting the foundation's financial statements into the HEI's individually published financial statements. The guidance only addresses financial reporting at the CAFR level.

As noted previously, **foundation** is defined in this directive as a foundation/entity that is considered a discrete component unit of the HEI as required by GASBS No. 39. Foundations are primarily a non-profit charitable entity that exist solely to assist and support the HEI and are exempt from federal income tax under the Internal Revenue Code Section 501(c)(3). These foundations report under FASB rather than GASB standards. Financial statements are presented under SFAS No. 117, Financial Statements of Not-for-Profit Organizations.

Attachment HE-10

As noted previously, the following tabs are included in **Attachment HE-10** to obtain **foundation** financial and footnote/other information:

- Combining FST
- TAB F1, Cash, Cash Eqv & Inv
- TAB F2, SNAP & LGIP
- TAB F3, Receivables
- TAB F4, Capital Assets
- TAB F5, LT Liabilities
- TAB F5.1, LT Liabilities
- TAB F6, Commitments
- TAB F7, Miscellaneous
- TAB F8, Intrafund
- TAB F9, Short-term Debt
- TAB F10, Inv in Cap Assets

Continued on next page

Introduction, Continued

Attachment HE-10 – new tabs

The following new tabs are included in **Attachment HE-10** to obtain **foundation** fluctuation explanations and document the reconciliation between the foundation total amounts reported on the Attachment HE-10's Combining FST tab and the HEI's individually published financial statements:

- Foundation Flux
 - Foundations-Assets
 - Foundations-Liabilities
 - Foundations-Net Assets
 - Foundations-Rev, Exp, and Chgs
-

Combining FST

Most HEIs have at least one foundation but some have as many as eight. The Combining FST has eight columns available to report amounts for each foundation. The **Elimination Entries** column is to eliminate significant intrafund balance/activity amounts among the foundations. The **Foundation(s) Year-End Totals** column totals all columns. The FST is linked to this column. If applicable, the footnote information provided must agree to the Combining FST amounts or “Error” messages will appear.

Most foundations have a June 30th year-end. Some foundations have a December 31st year-end. **The foundations with a December 31st year-end must complete the Combining FST for the year-ended December 31, 2007.**

Attachment changes from the prior year

Refer to the instructions for the Attachments HE-3 and HE-10 for a summary of the changes from the prior year.

In addition, a listing of changes and items of interest was e-mailed to fiscal officers and is posted on DOA's website at www.doa.virginia.gov. Click on the “Financial Statement Directives” link.

Continued on next page

Introduction, Continued

Conversion issues

The following is a list of some issues that may require additional information from the foundation in order for the HEI to convert the foundation's financial statements into the Combining FST by the required due date. **Please note that this list is not all inclusive.**

- The HEI should take steps to ensure the foundation will provide accurate and complete information so the HEI can meet the September 25th attachment deadline.
 - If the foundation does not prepare the **Statement of Financial Position** in a **classified format**, the HEI must obtain the long-term liabilities due within one year/due in greater than one year by line item and **net receivables** to be collected in greater than one year.
 - Since **depreciable and nondepreciable capital assets** must be reported on separate line items in the CAFR, capital asset gross amounts and accumulated depreciation amounts by asset type must be provided.
 - The net asset line item **Invested in Capital Assets, Net of Related Debt** must be determined.
 - Revenues must be classified as **Program or General Revenues** (see [Appendix 1, Revenue Classifications](#), for additional information).
 - **Significant intrafund balance/activity** amounts **between foundations** must be **eliminated** on the Combining FST. **Significant intrafund balance/activity** amounts **between the HEI and foundations** must be eliminated on the Elimination Entries to FST tab. Note: Significance must be determined by each HEI using professional judgment.
 - If **significant intrafund balance/activity amounts cannot be eliminated** because the foundation has a December 31st year-end, these amounts must be reported on Attachment HE-10, Financial Statement Template, TAB F8, Intrafund.
 - If the foundation has any investments in **SNAP or LGIP**, account numbers and balances must be provided.
-

Line Items

General

Many of the foundation financial statement line items can easily be converted into the Combining FST line items. Some line items are not as easily converted and additional information may be needed from the foundation. The Combining FST does not include line items that are unique to the HEI (i.e. appropriations available, appropriations revenue, etc.). Some line items are discussed in the following sections.

Cash, cash equivalents, and investments

The following line items are to report any cash and cash equivalents:

- **Cash and Cash Equivalents**, and
- **Restricted Cash and Cash Equivalents***.

The following line items are to report any investments:

- **Investments**, and
- **Restricted Investments***.

The above line items can **only** be used to report foundation amounts. Attachment HE-10, Financial Statement Template, **TAB F1** must be completed for cash, cash equivalents, and investment footnote disclosures.

Note*: See additional guidelines in the [Additional Guidelines for Preparation of the Financial Statement Template](#) section titled Restricted Cash/Cash Equivalent/Investment Amounts.

Contributions receivable, net

Contributions Receivable, Net represents a promise a donor makes to give the foundation a contribution that is, in substance, unconditional. They are reported at the present value of their estimated future cash flows. CAFR footnote disclosure will mirror the foundation's footnotes with the following information: receivable due in less than one year, receivable due between one and five years, receivable due in greater than five years, discount amount, allowance amount, and discount rates used to determine present value. This line item can **only** be used for the foundations.

Attachment HE-10, Financial Statement Template, **TAB F3 Part 2** must be completed for this line item.

Continued on next page

Line Items, Continued

Short-term debt (i.e. lines of credit) & BANS

Many foundations have **Short-term Debt (i.e. lines of credit)**. Bond anticipation notes payable (BANS) amounts must be reported on the Long-Term Liabilities – Bond Anticipation Notes Payable line items. (Note: The HEI can also report amounts on the FST on this line item.)

Attachment HE-10, Financial Statement Template, **TAB F9 Part 1** must be completed for the Short-term Debt line item and **Part 2** must be completed for the BANS.

Long-term liabilities – trust and annuity obligations

Long-Term Liabilities – Trust and Annuity Obligations represent obligations owed to beneficiaries under the terms of trust or annuity agreements. For example, split-interest agreements usually provide that the HEI or foundation act as trustee for the gift assets, with the requirement that an annual distribution be made to a specified beneficiary. These distributions are usually for a fixed dollar amount (annuity trust) or a fixed percentage of the trust's fair market value (unitrust).

The amount due within one year and the amount due in greater than one year must be reported separately on the financial statement template. (Note: The HEI can also report amounts on the FST for this line item.)

Increase/decrease in split-interest agreements

The following two line items are to report the changes in split-interest agreements:

- **Increase in Split-Interest Agreements**, and
- **Decrease in Split-Interest Agreements**.

(Note: The HEI can also report amounts on the FST for these line items. The Comprehensive Implementation Guide – Guides Issued through June 30, 2007, question 7.72.11 explains how split-interest agreements should be reported by the HEI under GASBS No. 34 and GASBS No. 35.)

Continued on next page

Line Items, Continued

Intrafund balance/ activity

The following line items may be used to report significant intrafund balance/activity amounts among the foundations and among the HEI and the foundation(s). After all amounts, including elimination entries, are entered on the Combining FST and /or the Elimination Entries to FST, the Combined Total amount for these line items should be zero.

- Due from Foundation(s)
- Due to Foundation(s)
- Due from Higher Education Institution*
- Due to Higher Education Institution*
- Payments/Support from Foundation(s)
- Payments/Support to Foundation(s)
- Payments/Support from Higher Education Institution*
- Payments/Support to Higher Education Institution*

*These line items can only be used by the foundation. The remaining line items can be used by either the HEI or the foundation.

The HEI will need to work with each foundation to determine what significant intrafund balance/activity amounts are reported on the foundation's financial statements and help determine what elimination entries are necessary.

The Combining FST has an elimination entry column that must be used to eliminate significant intrafund balance/activity amounts among the foundations. The FST is linked to the Elimination Entries to FST tab that must be used to eliminate significant intrafund balance/activity amounts among the HEI and the foundation(s).

Any insignificant intrafund balance/activity amounts not eliminated should be reported on other financial statement template line items. Also, any significant intrafund balance/activity amounts not eliminated because the foundation has a December 31st year-end must be reported on Attachment HE-10, Financial Statement Template, TAB F8, Intrafund.

Note: Significance must be determined by each HEI using professional judgment.

Continued on next page

Line Items, Continued

Net assets

The following line items are to report the foundation net asset amounts:

- Net Assets/Restricted/Nonexpendable/Permanently Restricted,
- Net Assets/Restricted/Expendable/Temporarily Restricted,
- Unrestricted, and
- Invested in Capital Assets, Net of Related Debt*.

Note *: The **Invested in Capital Assets, Net of Related Debt** amount must be calculated for the foundations and documented on the TAB F10, Inv in Cap Assets. This is a line item that is not used by the foundations. The applicable unrestricted and/or restricted net asset line items must be **reduced** by the **invested in capital assets, net of related debt** amount.

Extraordinary items

The Extraordinary Items line item represents transactions/events that are both unusual in nature **and** infrequent in occurrence. A description must be provided for these items.

Special items

The Special Items line item represents significant transactions/events that are within the control of management and are unusual in nature **or** infrequent in occurrence. A description must be provided for these items.

Revenue Classification

Revenues

The foundations' revenues must be analyzed to determine **both** the appropriate revenue classification and whether any significant revenues represent payments/support from the higher education institution or other foundations. If so, those amounts may be reported on the Combining FST as one of the following line items.

- Payments/Support from Foundation(s)
- Payments/Support from Higher Education Institution

The following are the other revenue line items on the Combining FST.

- Program Revenues – Charges for Services
- Program Revenues – Operating Grants and Contributions
- Program Revenues – Capital Grants and Contributions
- Grants & Contributions not Restricted to Specific Programs
- Investment Earnings
- Miscellaneous Revenues
- Contributions to Permanent Endowments
- Contributions to Term Endowments

See the [Appendix 1, Revenue Classifications](#), for additional information regarding these revenue classifications.

Expenses

Total expenses

The foundation's total expenses can be reported on one line item on the Combining FST. Any significant expenses that represent payments/support to the higher education institution or other foundations may be reported on the Combining FST as one of the following line items.

- Payments/Support to Foundation(s)
 - Payments/Support to Higher Education Institution
-

Footnotes

Summary

As noted previously, the following tabs are included in the Attachment HE-10, Financial Statement Template, and are to obtain footnote/other information for foundations:

- TAB F1, Cash , Cash Eqv & Inv
- TAB F2, SNAP & LGIP
- TAB F3, Receivables
- TAB F4, Capital Assets
- TAB F5, LT Liabilities
- TAB F5.1, LT Liabilities
- TAB F6, Commitments
- TAB F7, Miscellaneous
- TAB F8, Intrafund
- TAB F9, Short-term Debt
- TAB F10, Inv in Capital Assets

Continued on next page

Footnotes, Continued

Additional information needed

While most footnote information requested should mirror the foundation's footnotes, there are some instances where the foundation footnotes may not include required information. The following listing identifies tabs that may require additional information. (Please be aware that this may not be an all-inclusive listing.)

- **TAB F1, Cash, Cash Eqv, & Inv:** If the foundation has any investments/cash equivalents in SNAP or LGIP, the account numbers, line item, and year-end balances must be provided on **TAB F2, SNAP & LGIP**.
 - **TAB F3, Receivables - Part 1:** For any amounts reported on the Receivables, Net line item, the following must be provided: gross amounts for accounts receivable, loans/mortgage receivable, interest receivable, other receivables, and total allowance for doubtful accounts. Also, the receivable, net amount expected to be collected in greater than one year must be provided. A description must be provided for "Other Receivables."
 - **TAB F4, Capital Assets:** Year-end capital asset gross amounts and accumulated depreciation amounts by asset type must be provided.
 - **TAB F5, LT Liabilities:** This includes Part 5 that requires a description of Long-term Liabilities – Other. In addition, it includes **new Parts 6 and 7** to provide descriptions for any amounts reported on the **new Long-term Liabilities – Other Postemployment Benefits – Due in More Than One Year** and / or the **Claims Payable - Due Within One Year, Claims Payable – Due in More Than One Year** line items.
 - **TAB F7, Miscellaneous - Part 6:** If the foundation has a December 31st year-end and significant intrafund balance/activity amounts cannot be eliminated, **TAB F8, Intrafund**, must be completed.
 - **TAB F7, Miscellaneous - Part 7:** This requires a description of **Other Assets** and **Other Restricted Assets**.
 - **TAB F7, Miscellaneous – Part 8:** If an amount is reported on the **Other Liabilities** line item, a description must be provided.
 - **TAB F10, Inv in Cap Assets:** This is to document the **Invested in Capital Assets, Net of Related Debt amount**.
-

Elimination Entries

Requirement

As previously noted, the “Elimination Entries” column on the Combining FST must be used to eliminate significant intrafund balance/activity amounts among the foundations. If the HEI only has one foundation, no elimination entries are needed on this tab.

The “Elimination Entries” column on the FST is linked to the Elimination Entries to FST tab. This tab is to be used to eliminate significant intrafund balance/activity amounts among the HEI and the discrete foundation(s). Generally, the “to” and “from” elimination entry amounts should equal; therefore, total ending net asset amounts should not be increased or decreased as a result of these entries.

The following section discusses the two options that may be used for reporting and eliminating significant intrafund balance/activity amounts.

Continued on next page

Elimination Entries, Continued

Options

Option 1) The following line items may be used to report significant intrafund balance/activity amounts:

- Due from Foundation(s)
- Due to Foundation(s)
- Due from Higher Education Institution
- Due to Higher Education Institution
- Payments/Support from Foundation(s)
- Payments/Support to Foundation(s)
- Payments/Support from Higher Education Institution
- Payments/Support to Higher Education Institution

If the above line items are used, the elimination entries must be recorded to eliminate all amounts recorded on these line items. If the “Combined Total” amounts on the FST for these line items are not zero after entering all elimination entries, an “Error” message will appear.

Option 2) The above line items are optional. If the HEI chooses not to use these line items, the significant intrafund balance/activity amounts that are reported on other line items must be eliminated. For example, the HEI may record significant Payments/Support from Foundation(s) on one of the other revenue line items. The Foundation(s) may record the significant Payments/Support to the Higher Education Institution under the operating and nonoperating expenses line item. The elimination entries could be made to the appropriate revenue and expense line items.

Whichever option is followed, keep in mind the following: 1) Significant intrafund balance/activity amounts between the HEI and the foundation(s) and among the foundations must be eliminated. 2) Generally, the net affect on net assets for the Elimination Entries column on the FST and on the Combining FST should be zero. 3) Supporting documentation must be maintained by the HEI to document these elimination entries and also to document any significant balance/activity amounts not eliminated because of the foundation’s December 31st year-end.

Additional Information

Additional requests

Additional reporting issues may arise during the CAFR preparation and/or throughout the year regarding the CAFR. As such, DOA may request additional information. DOA will not contact foundations directly for any information regarding amounts reported for the foundations. DOA will contact the HEI, and the HEI is responsible for providing the requested information within the specified timeframe.

Attachment HE-10

See also instructions for Attachment HE-10, Financial Statement Template, for recording amounts on the Combining FST and related footnote tabs.

Appendix 1, Revenue Classification

Revenue classifications

Revenue amounts must be analyzed to determine the proper reporting on the FST and the Combining FST in accordance with GASBS No. 34 and GASBS No. 35. See also GASBS No. 37 and the Comprehensive Implementation Guides for additional guidance. Below is a brief description of the revenue line items:

- **Program Revenues – Charges for Services:** This represents exchange or exchange-like transactions. These revenues arise from charges to customers, applicants or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Examples of this category are as follows: fees charged for specific services, licenses, permits, and other amounts charged to service recipients. In addition, fines and forfeitures are also included because they result from direct charges to those who are otherwise directly affected by the program or service even though they receive no benefit. (see GASBS No. 34, GASBS No. 37, paragraph 13 which amends GASBS No. 34, paragraph 49)
 - **Program Revenues – Operating Grants and Contributions** (program-specific operating grants & contributions): This represents revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Also, if a program specific grant & contribution can be used for operating and capital purposes, they should be reported as Program Revenue-Operating Grants and Contribution. (see GASBS No. 34, paragraph 50)
 - **Program Revenues – Capital Grants and Contributions:** This has the same definition as operating grants and contributions except the restriction is for capital purposes (see GASBS No. 34, paragraph 50).
 - **Grants & Contributions not Restricted to Specific Programs:** (nonspecific grants & contributions): This represents grants & contributions that do not meet the definitions of program revenues (see GASBS No. 34, paragraph 50).
-

Appendix 1, Revenue Classification, continued

General revenue-investment earnings

Investment earnings: This represents interest, dividends, unrealized gains/losses on investments, realized gains/losses, and other investment earnings on investments that **do not** meet the definition of program revenue. For example, investment earnings on permanent or term endowments should be reported as program revenue if restricted to a program or programs specifically identified in the endowment agreement or contract. Investment earnings not meeting the definition of program revenues should be reported as General Revenues - Investment Earnings (see GASBS No. 34, paragraphs 51 & 52). **Based on this definition, investment earnings may be reported on more than one financial statement template line item.**

General revenue - miscellaneous revenue

Miscellaneous revenue: Represents revenue amounts that do not fall under any other financial statement template line item definition.

Contributions to permanent & term endowments

Contributions to Permanent Endowments: Represents funds with respect to which donors or other outside agencies have stipulated that the principal be maintained in perpetuity and invested for the purpose of producing present and future income which may either be expended or added to the principal. (Note: A foundation's permanently restricted contributions should be reported on this line item.)

Contributions to Term Endowments: Similar to permanent endowments except that upon passage of a stated period of time or the happening of a particular event, all or a part of the principal may be expended.

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